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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

325  
LB

HERTZ EQUIPMENT RENTAL COMPANY, a  
Delaware corporation,

Plaintiff,

v.

RAMON USEDÁ, FRED KICENSKI, and Does  
1 through 20,

Defendants.

Case No.:

**10 4953**  
**PLAINTIFF'S NOTICE OF MOTION AND  
MOTION, EX PARTE, FOR  
(1) TEMPORARY RESTRAINING ORDER,  
(2) ORDER TO SHOW CAUSE RE  
PRELIMINARY INJUNCTION, AND  
(3) EXPEDITED DISCOVERY;  
MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT**

Date: November 2, 2010

Time: \_\_: \_\_ :m.

Dept.: \_\_\_\_\_

Judge: \_\_\_\_\_

Date of Filing: November 2, 2010

Trial Date: None set

1 **NOTICE OF MOTION AND MOTION, *EX PARTE*, FOR (1) TEMPORARY RESTRAINING**  
 2 **ORDER, (2) OSC RE PRELIMINARY INJUNCTION, AND (3) EXPEDITED DISCOVERY**  
 3 **TO DEFENDANTS RAMON USED A AND FRED KICENSKI:**

4 PLEASE TAKE NOTICE that on November 2, 2010, at 9:00 a.m., in the United States  
 5 District Court for the Northern District of California, located at 450 Golden Gate Avenue, San  
 6 Francisco, California, Plaintiff Hertz Equipment Rental Corporation ("HERC") shall file with the  
 7 Court its Complaint for Theft of Trade Secrets, Breach of Contract, Breach of Duty of Loyalty,  
 8 Unfair Competition, Replevin and Conversion against Defendants Ramon Useda ("Useda") and Fred  
 9 Kicenski ("Kicenski").

10 PLEASE TAKE FURTHER NOTICE that on November 2, 2010, at 9:00 a.m., in the United  
 11 States District Court, Northern District of California, 450 Golden Gate Avenue, San Francisco, CA,  
 12 Plaintiff HERC also shall file with the Court this *Ex Parte* Motion, along with supporting papers, and  
 13 at that time or as soon thereafter as the Clerk's Office assigns this case to a judge and the matter may  
 14 be heard, appear in person, through the undersigned counsel, to ask the Court under Rule 65 of the  
 15 Federal Rules of Civil Procedure, under California Civil Code section 3426.2, and under California  
 16 Business and Professions Code section 17203 to issue (1) a temporary restraining order, (2) an order  
 17 to show cause why a preliminary injunction should not issue, and (3) an order granting expedited  
 18 discovery against Defendants Useda and Kicenski.

19 PLEASE TAKE FURTHER NOTICE that if Defendants Useda and Kicenski wish to oppose  
 20 this *Ex Parte* Motion or the granting of any of the relief requested herein, then Useda and Kicenski  
 21 may appear, either in person or through counsel, on November 2, 2010, at 9:00 a.m., in the United  
 22 States District Court for the Northern District of California, located at 450 Golden Gate Avenue, San  
 23 Francisco, California.

24 HERC seeks immediate injunctive relief prohibiting Useda and Kicenski from any further  
 25 acquisition, use, or disclosure of HERC's trade secrets and confidential, proprietary information,  
 26 including the pricing, customer, and employee compensation information that Useda and Kicenski  
 27 took with them when they left HERC to join competitor Sunstate Equipment Co., LLC, and from  
 28 engaging in any further breaches of duty or acts of unfair competition in connection therewith.

1 HERC also seeks an order granting expedited discovery in advance of the preliminary injunction  
2 hearing on these matters.

3 Through this Motion, HERC requests a temporary restraining order ("TRO") and an order to  
4 show cause why preliminary injunction should not issue:

5 1. directing Useda to deliver immediately to HERC all copies of documents, whether in  
6 paper form or stored in an electronic medium, containing HERC confidential information that Useda  
7 currently possesses or has in his custody or control, including without limitation all such documents  
8 that contain HERC pricing information; and

9 2. directing Kicenski to deliver immediately to HERC all copies of documents, whether  
10 in paper form or stored in an electronic medium, containing HERC confidential information that  
11 Kicenski currently possesses or has in his custody or control, including but not limited to all such  
12 documents that contain HERC employee compensation information; and

13 3. directing Useda and Kicenski to take all necessary steps to preserve documents, data,  
14 tangible things, and other materials relating to this action, including without limitation emails and  
15 paper and electronic documents, including any current or archived electronic logs, metadata, and  
16 directories; and

17 4. restraining and enjoining Useda and Kicenski from directly or indirectly violating the  
18 terms of their Confidentiality Agreements with HERC; and

19 5. restraining and enjoining Useda and Kicenski from directly or indirectly accessing,  
20 disclosing, making available to any person or entity, or using any HERC confidential and/or trade  
21 secret information that Useda and Kicenski obtained while employed by HERC, including without  
22 limitation HERC pricing information that Useda obtained while employed by HERC, information  
23 setting forth the requirements of any HERC customer that Useda obtained while employed by HERC,  
24 and information setting forth the compensation that HERC pays or has paid to its employees; and

25 6. restraining and enjoining Useda and Kicenski from directly or indirectly altering,  
26 destroying or disposing of any evidence, in any form, relating to this action, including without  
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1 limitation emails and paper and electronic documents, including current or archived electronic logs,  
2 metadata, and directories.

3 Pursuant to Rule 26(d)(1) of the Federal Rules of Civil Procedure, HERC also applies for an  
4 order allowing expedited but limited discovery consisting of discrete interrogatories, document  
5 requests, depositions, and document subpoenas in the forms attached as Exhibits A through H to the  
6 accompanying Declaration of Matthew J. Frankel. HERC seeks verified responses and document  
7 production no later than November 9, 2010, with depositions of Defendants Useda and Kicenski to be  
8 completed by November 11 and 12, 2010, respectively. HERC's application for expedited discovery  
9 is necessary to discover the extent of the misappropriation and resulting harm, to prevent further  
10 harm, and to adequately prepare for the preliminary injunction hearing.

11 This Motion is made on the following grounds:

12 1. HERC will be irreparably harmed if Useda and Kicenski are not enjoined from  
13 disclosure and use of HERC's trade secrets and confidential, proprietary information. HERC is likely  
14 to succeed on the merits of its claims, and legal remedies are inadequate to compensate for the  
15 injuries that Useda and Kicenski will cause through their unlawful actions. Further, the balance of  
16 harms to HERC on the one hand, and to Useda and Kicenski on the other hand, as well as the public  
17 interest, weigh in favor of granting injunctive relief; and

18 2. HERC has not made any previous application for similar relief.

19 HERC's Motion is based upon this Notice of Motion and Motion, *Ex Parte*; the  
20 accompanying Memorandum of Points and Authorities; the supporting Declarations of Mark Hobson,  
21 James Herlitz, and Matthew J. Frankel, and the exhibits thereto; HERC's Complaint for Theft of  
22 Trade Secrets, Breach of Contract, Breach of Duty of Loyalty, Unfair Competition, Replevin, and  
23 Conversion; the [Proposed] Order Granting Plaintiff's Motion for (1) Temporary Restraining Order,  
24 (2) Order to Show Cause re Preliminary Injunction, and (3) Expedited Discovery as to Defendant  
25 Ramon Useda; the [Proposed] Order Granting Plaintiff's Motion for (1) Temporary Restraining  
26 Order, (2) Order to Show Cause re Preliminary Injunction, and (3) Expedited Discovery as to  
27 Defendant Fred Kicenski; Plaintiff's Administrative Motion to Seal Exhibits to Declaration of Mark  
28

1 Hobson; Plaintiff's [Proposed] Order Granting Administrative Motion to Seal Exhibits; and such  
2 other evidence and argument as may be presented to the Court at hearing.

3 DATED: November 2, 2010

Respectfully submitted,

4 NIXON PEABODY LLP

5  
6 By:



7 Charles M. Dyke  
8 Attorneys for Plaintiff  
9 HERTZ EQUIPMENT RENTAL  
10 CORPORATION  
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**MEMORANDUM OF POINTS & AUTHORITIES****I. PRELIMINARY STATEMENT**

Plaintiff Hertz Equipment Rental Corporation (“HERC”) makes this emergency application based on Defendant Ramon Useda’s egregious theft of HERC’s confidential and trade secret pricing and customer information and Defendant Fred Kicenski’s brazen use of HERC’s confidential and trade secret employee compensation information.

HERC has discovered that during the 12 days before Defendant Ramon Useda (“Useda”) abruptly resigned on September 24, 2010 to go to work (on the same day) for HERC competitor Sunstate Equipment Co., LLC (“Sunstate”), Useda emailed more than 20 documents containing confidential HERC pricing and customer information to his personal account at “ramon\_useda@yahoo.com.” One of those documents was HERC’s pricing guide for Northern California, an extremely sensitive and confidential document. Useda sent it to himself the day before he resigned. Another item he sent that day was a document containing detailed national pricing information for governmental customers who come to HERC through the U.S. Communities Government Purchasing Alliance, a purchasing cooperative that negotiates on behalf of public agencies across the country. A week before he left, Useda collected the names of existing HERC customers in four HERC territories (none of which were Useda’s territory), inserted the information into four separate emails, and sent the emails to himself at his work email address. Useda had no bona fide reason for digging up this information and collecting it in emails to himself. After Useda’s departure, HERC discovered one of Useda’s business cards from his new employer, Sunstate, in the door of a HERC customer that Useda had serviced while at HERC.

HERC also has discovered that Defendant Fred Kicenski (“Kicenski”), who abruptly left HERC on August 10, 2010 to go to work that day for Sunstate, has since been using HERC’s confidential employee compensation information in his solicitations of HERC employees to leave HERC and join Sunstate.

HERC respectfully requests that this Court immediately issue temporary restraining orders (“TROs”) enjoining Useda and Kicenski from further accessing, using, or disclosing HERC’s



1 confidential and/or trade secret information, requiring them to preserve relevant evidence (including  
2 electronically stored information), and permitting HERC to engage in limited expedited discovery to  
3 allow it to determine the extent of their misconduct and the scope of harm they have wrongfully  
4 inflicted upon HERC in advance of the Preliminary Injunction hearing. The Court should grant this  
5 application because (1) HERC has a high likelihood of success on the merits, (2) HERC will suffer  
6 serious, irreparable competitive harm if Useda and Kicenski are not immediately stopped and  
7 dispossessed of HERC's confidential and/or trade secret information, (3) the balance of hardships  
8 favors granting it, and (4) granting it would advance the public interest.

9 *Merits.* On the merits, it is beyond dispute that Useda and Kicenski had no legal right to take,  
10 and that they have no legal right to use, HERC's confidential and/or trade secret information. There  
11 also is no question, based on the evidence now before the Court, that Useda took with him the  
12 confidential and trade secret pricing and customer information now before the Court. Nor is there  
13 any question that Kicenski has used HERC's confidential and trade secret compensation information  
14 to try to recruit HERC employees to leave HERC and work for Sunstate.

15 *Harm.* On the issue of harm, as established below, the imminent use of a trade secret  
16 constitutes irreparable harm as a matter of law.

17 *Balance of Hardships.* On the balance of hardships, the balance favors granting the TROs.  
18 HERC has a vital interest in protecting its confidential and trade secret information from competitors.  
19 At the same time, the requested TROs are narrowly drawn to stop Useda and Kicenski from further  
20 accessing, disclosing, or using HERC's confidential and/or trade secret information, and to require  
21 them to deliver all copies of HERC's confidential and/or trade secret information that they have in  
22 their possession, custody or control. They would not be prevented from continuing to work for  
23 Sunstate, from soliciting particular customers, or from engaging in business activities that do not  
24 involve the use of HERC's proprietary, confidential, or trade secret information.

25 *Public Interest.* The public interest favors granting the Motion because doing so will protect  
26 trade secrets and confidential information, which is "fundamental to the preservation of our free  
27 market economic system." *Morlife, Inc. v. Perry*, 56 Cal. App. 4th 1514, 1520 (Cal. Ct. App. 1997).

1 At the same time, there is no public interest in allowing a former employee who steals his employer's  
2 trade secrets and confidential information to use them for personal competitive gain.

3 For these reasons, the Court should enter the requested TROs.

## 4 II. FACTS

### 5 A. **HERC's Business Relies upon the Confidentiality of Trade Secrets and Customer 6 Information, which HERC Takes Reasonable Measures to Protect.**

7 HERC is one of the nation's leading providers of heavy equipment and tools for rent and sale  
8 to construction and industrial users, with approximately 243 branches in North America.  
9 (Declaration of Mark Hobson ("Hobson Decl.") ¶ 2.) HERC began operations in 1965 and opened its  
10 first rental location in the Bay Area in 1984. (*Id.*) HERC is ranked number four in North America by  
11 revenue among equipment rental companies and has 14 locations in the Bay Area. (*Id.* ¶ 3.) Sunstate  
12 is a HERC competitor, ranked number 17 in equipment rentals in North America by revenue.  
13 Sunstate has three locations in the Bay Area. (*Id.*)

14 Part of what has made HERC so successful in the equipment rental business is its proprietary  
15 information of what rental customers want, how the needs of customers vary among different  
16 segments of the rental population, and what pricing strategies and actual prices are effective with  
17 different types of customers and among specific customers. Over the years, HERC has invested  
18 millions of dollars and thousands of hours developing, compiling and maintaining detailed  
19 information on the needs of its customers and on sales and pricing strategies. HERC's proprietary  
20 customer and pricing information gives the company a competitive advantage in the marketplace, and  
21 HERC takes reasonable steps under the circumstances to keep this information confidential from the  
22 public and its competitors. (*Id.* ¶ 4.)

23 HERC's success also is attributable in part to its development and retention of a highly  
24 effective sales force. To help attract and retain its sales representatives, HERC has developed a  
25 compensation system that rewards productive sales representatives very well. The amount of  
26 compensation that HERC sales representatives earn is the subject of reasonable efforts by HERC to  
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1 protect against its disclosure to the public or to competitors, who could obtain economic value from  
2 learning and using it to help recruit away HERC employees. (*Id.* ¶ 5.)

3 Among the steps HERC takes to protect the confidentiality of its trade secrets and other  
4 confidential and proprietary information are the use of confidentiality agreements with employees  
5 such as Useda and Kicenski, and allowing only password-protected access to its computer and  
6 database systems. (*Id.* ¶ 6.) As established below, both Useda and Kicenski were fully informed and  
7 aware, through written agreements and policies they acknowledged having received, that HERC  
8 business information available to them was confidential and proprietary and not to be used or  
9 disclosed except in connection with legitimate HERC business.

10 **B. Useda and Kicenski Are Subject to Valid and Binding Agreements with HERC**  
11 **Prohibiting Disclosure or Use of HERC's Confidential and Trade Secret Information.**

12 In connection with their employment with HERC, both Useda and Kicenski executed a  
13 confidentiality agreement entitled, Hertz Information Security Statement and Confidentiality  
14 Agreement for Hertz Employees ("Confidentiality Agreement"). Under that agreement, Useda and  
15 Kicenski each agreed, among other things, that:

- 16 • "I will use Hertz Confidential Information only for the performance of my  
17 responsibilities to Hertz."
- 18 • "I will not divulge Hertz Confidential Information to anyone, including  
19 Hertz employees, customers, contracted temporary workers or service  
20 providers, unless he or she requires the information to perform his or her  
21 services for Hertz or as part of his or her contractual relationship with  
22 Hertz."
- 23 • "I will comply with all Hertz information security policies and procedures,  
24 made available to me."
- 25 • "I understand my obligation to protect Hertz Confidential Information (as  
26 defined above) and will comply with all of Hertz's policies and procedures  
27 regarding the handling of Hertz Confidential Information."
- 28 • "Upon termination of my employment with Hertz, I will return all Hertz  
Confidential Information in my possession to Hertz and immediately cease  
use of all Hertz computing resources and systems. I further agree to  
continue to maintain the confidentiality of any Hertz Confidential  
Information to which I had access during the course of my employment  
with Hertz."

1 (*Id.* ¶¶ 7-8.)

2 The Confidentiality Agreement defines “Hertz Confidential Information” as “the following  
3 types of information: (i) information that is labeled, or that other Company policies and procedures  
4 specifically classify as ‘secret,’ ‘confidential’ or ‘proprietary,’ including, but not limited to,  
5 marketing data, financial results, employee information and operating data . . . and (iv) information  
6 that could have a competitive impact on the Company or its organizational, technical or financial  
7 position or which could cause damage to the Company or its prospective, current or former  
8 customers, employees or reputation if disclosed either internally or outside the Company.” (*Id.* ¶ 9.)

9 Further, Useda and Kicenski each acknowledged in writing having received company policies  
10 protecting HERC’s confidential information, including Procedure 1-43, entitled “Disclosure and  
11 Acquisition of Confidential Information,” and Procedure 1-70, entitled “Administering Information  
12 Security.” These Procedures expressly prohibit the wrongful conduct in which Useda and Kicenski  
13 engaged. (*Id.* ¶ 10.) For example, Procedure 1-43 provides:

14 “4. All employees must exercise care to avoid mishandling Hertz information  
15 and must ensure that information is protected from loss, theft,  
16 modification or premature release.

17 “a. Employees must not discuss Hertz information that has not  
18 been made public by Hertz in the presence of persons outside Hertz unless  
19 specifically authorized.

20 “b. Employees must not disclose Hertz confidential information in  
21 situations where it may be overheard by persons outside Hertz (i.e., at  
22 trade shows, in public areas, etc.).

23 “c. Employees must not hold discussions of Hertz confidential  
24 information outside Hertz, bypass Hertz security procedures to facilitate  
25 access to such information, or keep such information beyond his/her term  
26 of employment without written permission from an authorized Hertz  
27 manager. Hertz information must not be used for personal benefit.”

28 (*Id.* ¶ 11.)

Likewise, Procedure 1-70 reiterates that “[a]ll employees must exercise care to avoid  
mishandling of Hertz confidential information (as defined in this procedure) and must ensure such  
classified information is protected from loss, theft, modification or premature release.” This

1 Procedure further provides that users such as Useda and Kicenski must “[m]aintain confidentiality  
 2 and integrity of Hertz data” and “[u]se the information only for the purpose intended by the owner.”  
 3 (*Id.* ¶ 12.)

4 HERC’s Employee Handbook also states in plain language that employees are to maintain the  
 5 confidentiality of HERC confidential information, including “financial” and “employee” information,  
 6 and that they may not use it for personal gain or the benefit of others. Specifically, the Handbook  
 7 states:

#### 8 **CONFIDENTIAL INFORMATION**

9 An employee may not disclose, without authorization, confidential information to  
 10 any outside person. Similarly, an employee must respect the confidentiality of  
 11 information received from customers, suppliers, vendors, subcontractors and  
 12 others. An employee is prohibited from using confidential information gained  
 through employment with the Company for personal gain or for the benefit of  
 friends, relatives, or associates.

13 Confidential information includes proprietary, technical, business, financial, joint  
 14 venture, customer and employee information that the Company treats as  
 15 confidential or is not made available to the public. All confidential employee  
 16 documents should be stored in a secure manner and disposed of in accordance  
 17 with Company procedure. Similarly, all confidential information in the  
 possession of an employee must be immediately returned to Hertz Equipment  
 Rental Corporation should their employment end for any reason.

18 (*Id.* ¶ 13.)

#### 19 **C. Useda Has Taken HERC’s Confidential Information and Trade Secrets.**

20 Useda was hired by HERC in November 2004 to work behind the customer counter in  
 21 HERC’s San Francisco location. From August 2007 until his departure in September 2010, Useda  
 22 worked as a HERC sales representative. At the time of his departure, he worked out of HERC’s  
 23 Pacheco, California facility with a territory covering much of Contra Costa County. (*Id.* ¶ 14.)

24 On the morning of Friday, September 24, 2010, Useda telephoned his supervisor at HERC  
 25 and resigned, effective that day. During the call, Useda stated that he was leaving to join Sunstate.  
 26 (*Id.* ¶ 15) Following Useda’s departure, HERC discovered that on September 23, 2010 – the day  
 27 before his resignation – Useda had sent two emails with three attachments from his HERC email  
 28

1 account to an email address at “ramon\_useda@yahoo.com,” which obviously is Useda’s personal  
2 email address. (*Id.* ¶ 16.)

3 Two of the attachments to Useda’s September 23rd email are files containing detailed  
4 confidential and proprietary HERC pricing information. One contains 37 pages of itemized pricing  
5 terms and rates for hundreds of equipment items that HERC provides to a particular  
6 governmental/public institutional customer under the U.S. Communities Government Purchasing  
7 Alliance program. The U.S. Communities Government Purchasing Alliance is a purchasing  
8 cooperative that acts on behalf of public agencies across the country to negotiate reduced-cost  
9 agreements for the provision of a broad line of goods and services from best-in-class national  
10 suppliers. The document that Useda helped himself to provides critical insight into HERC’s national  
11 pricing strategies as a supplier-participant in the U.S. Communities program. The second attachment  
12 contains 12 pages of itemized pricing terms and rates, along with key pricing strategy information,  
13 that HERC sales representatives use to price equipment rentals throughout Northern California. The  
14 third attachment contains a HERC price quote dated September 23, 2010 that was for a HERC  
15 customer that Useda serviced. The second attachment contains 12 pages of itemized pricing terms  
16 and rates, along with key pricing strategy information, that HERC sales representatives use to price  
17 equipment rentals in Northern California. The third attachment contains a HERC price quote dated  
18 September 23, 2010 that was for a HERC customer that Useda serviced. (*Id.* ¶ 17.)

19 HERC subsequently discovered that on September 12, 2010, Useda had used his HERC email  
20 account to send to his personal email address (“ramon\_useda@yahoo.com”) an email with 19 files  
21 attached, each of which contained confidential HERC pricing information. Seventeen of the files  
22 contained confidential HERC pricing information for seventeen 17 HERC customers. The other two  
23 files contained the same 37-page and 12-page detailed HERC pricing documents that Useda sent to  
24 his personal email address on September 23, as discussed above. (*Id.* ¶ 23.)

25 In addition, HERC learned that Useda had used his HERC email account to send himself four  
26 emails, at his HERC email address, on September 16, 2010 containing customer lists for the  
27 territories of four HERC sales representatives who collectively cover San Francisco, San Mateo,  
28



1 Oakland and Berkeley. (*Id.* ¶ 24.) The subject line of each of the four emails contains only a three-  
 2 digit number. The body of each contains a listing of HERC customers. In each case, the three-digit  
 3 number in the subject line is the number of the HERC sales representative assigned to the territory in  
 4 which the customers listed in the body of the email are located. Useda had no legitimate business  
 5 reason to gather this information, capture it in emails, and send it to himself. At the time Useda sent  
 6 the emails, he had no responsibility at HERC for any of the listed territories or customers. Rather, it  
 7 appears that the reason Useda was interested in the information is because it corresponds to Useda's  
 8 current territory at Sunstate. (*Id.* ¶ 24.)

9 The confidential pricing and customer information that Useda emailed to himself is protected  
 10 as a HERC trade secret. Useda had no legitimate business reason for having taken, for possessing, or  
 11 for using this confidential, proprietary and trade-secret information. As discussed below, use of this  
 12 information, or its disclosure to Sunstate, will cause irreparable harm to HERC and provide Sunstate  
 13 with an unfair advantage in the marketplace.

14 **D. Kicenski Has Used HERC's Confidential Information and Trade Secrets.**

15 Defendant Fred Kicenski was hired as a sales representative by Big 4 Rents on or about  
 16 February 17, 1992. He became a HERC employee in 1998 when HERC purchased Big 4 Rents. He  
 17 was promoted to sales director in 2003, to area manager in 2004, and then to regional manager of  
 18 sales in 2007. During a downsizing in 2009, he was returned to an account manager position working  
 19 out of the Pacheco facility, with accounts in Contra Costa, Alameda, and Solano Counties. On  
 20 August 10, 2010, Kicenski gave notice that he was leaving that day to join Sunstate. (*Id.* ¶ 20.)

21 In the course of discovering the above-described Useda emails and attachments, HERC  
 22 learned that Defendant Kicenski has been contacting HERC sales representatives recently to try to  
 23 recruit them to Sunstate. (*Id.* ¶ 19.) In his recruiting discussions with at least one HERC sales  
 24 representative, Kicenski stated that he was the decisionmaker on hiring at Sunstate, that he knew the  
 25 individual's current compensation at HERC, and that Sunstate would be very competitive on pay if  
 26 the individual wished to come to Sunstate. (Declaration of James Herlitz ¶¶ 4-5.) Kicenski obtained  
 27 compensation information about HERC employees while he was employed at HERC. (Hobson Decl.  
 28

¶ 21.)

After learning of Kicenski's use of confidential HERC compensation information as part of his efforts to recruit HERC employees, HERC discovered that most emails in Kicenski's HERC email account had been deleted. It appears that Kicenski was the one who deleted them. (*Id.* ¶ 22.)

All of the employee compensation data taken and used by Kicenski was confidential and proprietary to HERC and contained or constituted HERC trade secrets. Kicenski's use of this information will cause irreparable harm to HERC and provide Sunstate with an unfair advantage in the marketplace, particularly in competing with HERC to retain a highly effective sales force. Kicenski did not have any legitimate business reason for having taken, for possessing, or for using this confidential, proprietary and trade-secret HERC information. (*Id.* ¶ 26.)

### III. ARGUMENT

#### A. Useda's and Kicenski's Breaches of Their Contractual Obligations and Their Violations of the Uniform Trade Secret Act and the Unfair Competition Law Entitle HERC to Injunctive Relief as a Matter of Law.

"[F]undamental to the preservation of our free market economic system is the concomitant right to have the ingenuity and industry one invests in the success of a business or occupation protected from the gratuitous use of that 'sweat of the brow' by others." *Morlife, Inc. v. Perry*, 56 Cal. App. 4th 1514, 1520 (Cal. Ct. App. 1997). California gave judicial teeth to this principle through several legislative enactments, among them the California Uniform Trade Secret Act ("UTSA"), Cal. Civ. Code §§ 3426.1 *et seq.*, and the California Unfair Competition Law ("UCL"), Cal. Bus. & Prof. Code §§ 17200 *et seq.*

Under the UTSA, "[a]ctual or threatened misappropriation may be enjoined." Cal. Civ. Code § 3426.2. Likewise, under the UCL, "[a]ny person who engages, has engaged, or proposes to engage in unfair competition may be enjoined in any court of competent jurisdiction." Cal. Bus. & Prof. Code § 17203. Federal courts will also enjoin breaches of confidentiality agreements when irreparable harm may ensue. *See, e.g., Ace Am. Ins. Co. v. Wachovia Ins. Agency, Inc.*, 2008 U.S. Dist. LEXIS 83076 (D.N.J. Oct. 17, 2008) (granting preliminary injunction prohibiting further breaches of confidentiality portions of agency agreement); *Inter-Tel (Del.), Inc. v. Fulton Communs.*

1 *Tel. Co.*, 2007 U.S. Dist. LEXIS 43219, \*18-19 (D. Ariz. June 12, 2007) (granting preliminary  
2 injunction against breach of confidentiality provision of dealer agreement).

3 In the Ninth Circuit, “[t]he proper legal standard for preliminary injunctive relief requires a  
4 party to demonstrate that [it] is likely to succeed on the merits, that [it] is likely to suffer irreparable  
5 harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an  
6 injunction is in the public interest.” *Stormans, Inc. v. Selecky*, 586 F.3d 1109, 1127 (9th Cir. 2009)  
7 (quoting *Winter v. Natural Res. Def. Council, Inc.*, 129 S. Ct. 365, 374 (2008)).

8 **B. HERC is Likely to Succeed on the Merits of Its Trade Secret Misappropriation Claim.**

9 The UTSA defines a “[t]rade secret” as:

10 information, including a formula, pattern, compilation, program, device, method,  
11 technique, or process, that:

12 (1) Derives independent economic value, actual or potential, from not being  
13 generally known to the public or to other persons who can obtain economic value from  
its disclosure or use; and

14 (2) Is the subject of efforts that are reasonable under the circumstances to  
15 maintain its secrecy.”

16 Cal. Civ. Code § 3426.1(d) (emphasis added).

17 The UTSA defines “[m]isappropriation,” in relevant part, as:

18 (1) Acquisition of a trade secret of another by a person who knows or has reason to  
19 know that the trade secret was acquired by improper means; or

20 (2) Disclosure or use of a trade secret of another without express or implied consent  
by a person who:

21 (A) Used improper means to acquire knowledge of the trade secret; or

22 (B) At the time of disclosure or use, knew or had reason to know that his or her  
23 knowledge of the trade secret was:

24 (ii) Acquired under circumstances giving rise to a duty to maintain its secrecy or  
25 limit its use;

26 Cal. Civ. Code § 3426.1(b) (emphasis added). “Improper means,” for the purposes of the above  
27 definition of misappropriation, “includes theft, bribery, misrepresentation, breach or inducement of a  
28



1 breach of a duty to maintain secrecy, or espionage through electronic or other means.” Cal. Civ.  
 2 Code § 3426.1(a) (emphasis added).

3 **1. HERC’s Customer Information is a Protectable Trade Secret.**

4 “It is universally recognized that information about customers can represent the most valuable  
 5 secrets a business owns.” James Pooley, *Trade Secrets* (2009) § 4.02[2][a] (citing Restatement  
 6 (Third) of Unfair Competition § 42, comment f, and Milgrim, *Trade Secrets* § 1.09[7]). Confidential  
 7 customer information acquired through lengthy and expensive efforts is entitled to protection under  
 8 the UTSA. See, e.g., *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 521 (9th Cir.1993)  
 9 (customer database qualifies as a trade secret because it has potential economic value to allow a  
 10 competitor to direct its sales efforts to potential customers), *overruled in part on other grounds*, *eBay*  
 11 *Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, (2006); *Morlife, Inc. v. Perry*, 56 Cal. App. 4th 1514,  
 12 1521 (Cal. Ct. App. 1997) (“[W]here the employer has expended time and effort identifying  
 13 customers with particular needs or characteristics, courts will prohibit former employees from using  
 14 this information to capture a share of the market.”); *Courtesy Temporary Service, Inc. v. Camacho*,  
 15 222 Cal. App. 3d 1278, 1288 (Cal. Ct. App. 1990) (holding that trial court’s refusal to give trade  
 16 secret protection to confidential customer information was error).

17 Indeed, California law protected confidential customer information even before enactment of  
 18 the UTSA. As the court in *Greenly v. Cooper*, 77 Cal. App. 3d 382 (Cal. Ct. App. 1978) explained:

19  
 20 Trade and business secrets and confidential information are the property of the  
 21 employer and cannot be used by the employee for his own benefit. A list of  
 22 subscribers of a service, built up by ingenuity, time, labor and expense of the owner  
 23 over a period of many years is property of the employer, a part of the good will of his  
 24 business and, in some instances, his entire business. Knowledge of such a list,  
 25 acquired by an employee by reason of his employment, may not be used by the  
 26 employee as his own property or to his employer’s prejudice.

27 *Id.* at 392; see also *Hollingsworth Solderless Terminal Co. v. Turley*, 622 F.2d 1324, 1333-1334 (9th  
 28 Cir.1980) (applying California law) (pre-UTSA case).

## 2. HERC's Pricing Information Is a Protectable Trade Secret.

Confidential information relating to HERC's "pricing, profit margins, costs of production, pricing concessions, promotional discounts, advertising allowances, volume rebates, marketing concessions, payment terms and rebate incentives," which is "used by [HERC] to price its products competitively," is likewise entitled to protection under the UTSA. *Whyte v. Schlage Lock Co.*, 101 Cal. App.4th 1443, 1455 (Cal. Ct. App. 2002). This type of information "has independent economic value because [HERC's] pricing policies would be valuable to a competitor to set prices which meet or undercut [HERC's]." *Id.*

Courts applying the California UTSA and other states' UTSA<sup>1</sup> have held likewise. *See Courtesy Temporary Service, Inc.*, 222 Cal.App.3d at 1288 (holding that billing and markup rates were "irrefutably of commercial value" and hence constituted trade secrets); *see also PepsiCo, Inc. v. Redmond*, 1996 WL 3965, at \*1 (N.D. Ill. Jan. 2, 1996) (enjoining disclosure or use of "information relating to . . . PepsiCo's pricing of beverage products under Illinois UTSA"); *Hydraulic Exchange & Repair, Inc. v. KM Specialty Pumps, Inc.*, 690 N.E.2d 782, 785-86 (Ind. Ct. App. 1998) (holding that "customer and pricing information were trade secrets under the Indiana [UTSA]").

## 3. HERC's Employee Compensation Information is a Protectable Trade Secret.

As one treatise puts it, a trade secret can constitute "virtually anything you wouldn't want the competition to know." Pooley, *supra*, § 4.02[2]. HERC's employee compensation data falls within this category, because – as is evidenced by Kicenski's conduct here – the amount HERC pays its employees can be very helpful to a competitor trying to hire those employees away.

Courts have repeatedly recognized that employee compensation data constitutes trade secrets in appropriate circumstances. *See, e.g., Nat'l City Bank, N.A. v. Prime Lending, Inc.*, 2010 U.S. Dist. LEXIS 92178, at \*19 (E.D. Wash. July 20, 2010) (finding plaintiff likely to succeed where defendant

<sup>1</sup> Decisions interpreting the UTSA in other jurisdictions can be persuasive authority. *See* Cal. Civ. Code 3426.8 ("This title shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this title among states enacting it."); *see also Glue-Fold, Inc. v. Slautterback Corp.*, 82 Cal. App. 4th 1018, 1026 (Cal. Ct. App. 2000) (noting that its holding regarding the UTSA's statute of limitations comported with the "construction which the Uniform Act has received in other jurisdictions").

used, *inter alia*, “confidential information that qualified as a trade secret, such as the employee’s compensation” to recruit plaintiff’s employees, but denying preliminary injunction because “[a]ll harm occurred a year ago” and “[a]ll damage is done”); *Sunbelt Rentals, Inc. v. Head & Engquist Equip., L.L.C.*, 620 S.E.2d 222, 227 (N.C. Ct. App. 2005) (affirming trial court’s determination that certain confidential business information, including “employees’ salaries,” constituted protectable trade secrets); *GAB Bus. Servs. v. Lindsey & Newsom Claim Servs.*, 83 Cal. App. 4th 409, 428-429 (Cal. Ct. App. 2000) (whether confidential employee salary information constituted trade secret is jury question; affirming jury’s verdict that plaintiff failed to prove independent economic value at trial), *overruled in part on other grounds*, *Reeves v. Hanlon*, 33 Cal. 4th 1140, 1154 (Cal. 2004).

#### 4. HERC Took Reasonable Measures to Protect the Confidentiality of Its Trade Secrets.

“Information is protectable as a trade secret where the owner has taken ‘efforts that are *reasonable* under the circumstances to maintain its secrecy.’” *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 923 F. Supp. 1231, 1253 (N.D. Cal. 1995) (emphasis in original) (quoting Cal. Civ. Code § 3426.1(d)(2)). “Reasonable efforts can include advising employees of the existence of a trade secret, limiting access to the information on a ‘need to know basis,’ [and/or] requiring employees to sign confidentiality agreements.” *Id.* (internal quotes and citations omitted). Protecting trade secret information through the use of computer passwords can also constitute reasonable efforts to maintain secrecy. *See, e.g., Bank of Am., N.A. v. Lee*, 2008 U.S. Dist. LEXIS 110410, at \*11-12 (C.D. Cal. Sept. 22, 2008); *Great Am. Opportunities, Inc. v. Cherrydale Fundraising, LLC*, 2010 Del. Ch. LEXIS 15, at \*30, \*75 (Del. Ch. Jan. 29, 2010) (applying Delaware UTSA but noting that California UTSA had “no relevant deviations”).

Significantly, “[e]fforts at maintaining secrecy need not be extreme, just reasonable under the circumstances.” *Religious Technology Center*, 923 F. Supp. at 1254 (emphasis added) (citing Legislative Committee Comment-Senate, Cal. Civ. Code § 3426.1, at 147 (West Supp.1995)). A plaintiff need prove only a level of secrecy sufficient to secure a competitive advantage. *See* Restatement (Third) of Unfair Competition § 39, comment f. Thus, the element of secrecy “is not

1 negated because defendant by an expenditure of effort might have collected the same information  
 2 from sources available to the public.” *Clark v. Bunker*, 453 F.2d 1006, 1010 (9th Cir. 1972)  
 3 (emphasis added).

#### 4 **5. Useda Misappropriated HERC’s Trade Secrets.**

5 Trade secret misappropriation may be proved by circumstantial as well as direct evidence.  
 6 *See Droeger v Welsh Sporting Goods Corp.*, 541 F.2d 790, 792 (9th Cir 1976); *see also Ajaxo Inc. v.*  
 7 *E\*Trade Group Inc.*, 135 Cal. App. 4th 21, 50-53 (Cal. Ct. App. 2005) (circumstantial evidence of  
 8 misappropriation can trump defendant’s direct denials of wrongdoing).

9 Here, Useda engaged in both “acquisition” and “use” misappropriation. *See* Cal. Civ. Code §  
 10 3426.1(b)(1-2). (As discussed below, expedited discovery is necessary to determine whether further  
 11 misappropriation occurred, including by way of “disclosure.”)

- 12 ■ Misappropriation by acquisition. Useda “acqui[red]” HERC’s pricing and customer  
 13 trade secrets by emailing them to himself shortly before his departure from  
 14 employment, when he “[knew] or ha[d] reason to know” that so doing constituted  
 15 “theft,” a “breach . . . of [his] duty to maintain [the] secrecy” of such information, or  
 16 “espionage through electronic [] means.” Cal. Civ. Code. § 3426.1(b)(1).
- 17 ■ Misappropriation by use. Useda “use[d]” HERC’s trade secrets after he “used  
 18 improper means,” as described immediately above, to acquire them, Cal. Civ. Code §  
 19 3426.1(b)(2)(A), and when he “knew or had reason to know” that he had obtained  
 20 them under circumstances giving rise to a duty to maintain [their] secrecy or limit  
 21 [their] use.” Cal. Civ. Code § 3426.1(b)(2)(B)(2). In the context of customer list trade  
 22 secrets, soliciting a former employer’s customers is misappropriation by “use.” *See*  
 23 *American Credit Indem. Co. v. Sacks*, 213 Cal. App. 3d 622, 633 (Cal. Ct. App. 1989).

#### 24 **6. Kicenski Misappropriated HERC’s Trade Secrets.**

25 Likewise, Kicenski engaged in “use” misappropriation. *See* Cal. Civ. Code § 3426.1(b)(1-2).  
 26 (As discussed below, expedited discovery is necessary to determine whether further misappropriation  
 27 occurred, including by way of “disclosure.”)  
 28



- Misappropriation by use. Kicenski “use[d]” HERC’s trade secrets because he “knew or had reason to know” that he had obtained them under circumstances giving rise to a duty to maintain [their] secrecy or limit [their] use.” Cal. Civ. Code § 3426.1(b)(2)(B)(2), and he then employed that information to solicit current HERC employees to leave their positions to work for Sunstate. *Cf. American Credit Indem. Co.*, 213 Cal. App. 3d at 633.

**C. HERC Will Likely Prevail on Its Breach of Contract Claim.**

Given the overwhelming evidence already adduced, there can be little doubt that HERC will also succeed on its claim for breach of contract. To do so, HERC must show the existence of a contract, its terms which establish the obligation in issue, the breach of that obligation, and damages. *See FPI Development, Inc. v. Nakashima*, 231 Cal. App. 3d 367, 383 (Cal. Ct. App. 1991); *Acoustics, Inc. v. Trepte Constr. Co.*, 14 Cal. App. 3d 887, 913 (Cal. Ct. App. 1971). Express confidential and non-disclosure agreements are valid and enforceable in California, and breach of such agreement may be pursued through a claim for breach of contract. *See, e.g., Removable Media Solutions, Inc. v. AAR Mobility Sys.*, 2010 U.S. Dist. LEXIS 75871, at \*10-13 (E.D. Cal. July 28, 2010); *JDS Uniphase Corp. v. Jennings*, 473 F. Supp. 2d 697, 704 (E.D. Va. 2007) (applying California law); *Oculus Innovative Sciences, Inc. v. Nofil Corp.*, 2007 U.S. Dist. LEXIS 86305, at \*10-17 (N.D. Cal. Nov. 15, 2007); *ITT Telecom Prods. Corp. v. Dooley*, 214 Cal. App. 3d 307, 320 (Cal. Ct. App. 1989).

Significantly, HERC can succeed on its claim for breach of contract against Useda and Kicenski based on the theft or unauthorized use of its confidential proprietary information, irrespective of whether that information constitutes a “trade secret” under the UTSA. *See, e.g., Leatt Corp. v. Innovative Safety Tech., LLC*, 2010 U.S. Dist. LEXIS 71362, at \*18-19 (S.D. Cal. July 15, 2010); *Phoenix Techs. Ltd. v. DeviceVM*, 2009 U.S. Dist. LEXIS 114996, 2009 WL 4723400, at \*\*4-5 (N.D. Cal. Dec. 8, 2009); *Think Village-Kiwi, LLC v. Adobe Sys., Inc.*, 2009 U.S. Dist. LEXIS 32450, 2009 WL 902337, at \*\*2-3 (N.D. Cal. Apr. 1, 2009); *First Advantage Background Servs. Corp. v. Private Eyes, Inc.*, 569 F. Supp. 2d 929, 942 (N.D. Cal. 2008).

**D. HERC Will Likely Prevail on its Unfair Competition Claim.**

As a separate and independent basis for the requested TROs, HERC will likely prevail on its UCL claim. The UCL provides a right of action for any injury caused by “any unlawful, unfair, or fraudulent business act or practice,” and, as noted, expressly permits injunctive relief. Cal. Bus. & Prof. Code §§ 17200, 17203. “[T]he cases are legion holding that a former employee’s use of confidential information obtained from his former employer to compete with him and to solicit the business of his former employer’s customers, is regarded as unfair competition.” *Courtesy Temp. Serv.*, 222 Cal. App. 3d at 1292 (citing *Greenly*, 77 Cal. App. 3d at 391-92).

As with HERC’s contract claim, HERC can succeed on its UCL claim against Useda and Kicenski based on the unauthorized use of its confidential proprietary information irrespective of whether that information constitutes a “trade secret” under the UTSA. *See Courtesy Temp. Serv.*, 222 Cal. App. 3d at 1291 (“[E]ven if [the employer’s] customer list would not qualify as a “trade secret” under section 3426.1, the unfair and deceptive practices of employees in stealing [the employer’s] customers should have been enjoined under Business and Professions Code section 17200 et seq.”); *see also ReadyLink Healthcare v. Cotton*, 126 Cal. App. 4th 1006, 1020-21 (Cal. Ct. App. 2005).

**E. HERC Will Suffer Irreparable Injury in the Absence of an Injunction.**

“In general, the imminent use of a trade secret constitutes irreparable harm.” *Gallagher Benefits Services, Inc. v. De La Torre*, 2007 U.S. Dist. LEXIS 87139, at \*14 (N.D. Cal. Nov. 20, 2007), *aff’d in part and rev’d in part on other grounds*, 2008 U.S. App. LEXIS 13665 (9th Cir. 2008) (citing *Campbell Soup Co v ConAgra, Inc.*, 977 F.2d 86, 92-93 (3d Cir 1992)); *see also North Atl. Instruments, Inc. v. Haber*, 188 F.3d 38, 49 (2d Cir. 1999) (“[L]oss of trade secrets cannot be measured in money damages because [a] trade secret once lost is, of course, lost forever.”) (internal quotes and citations omitted).

“This is particularly true when the trade secret is a customer list, for solicitation of plaintiff’s customers by defendants cannot be remedied by money damages alone.” *De La Torre*, 2007 U.S. Dist. LEXIS 87139, at \*14 (citing *American Credit Indemnity Co. v. Sacks*, 213 Cal. App. 3d 622, 637 (Cal. Ct. App. 1989); *see also Stuhlbarg Int’l Sales Co. v. John D. Brush & Co.*, 240 F.3d 832, 841 (9th Cir. Cal. 2001) (“Evidence of threatened loss of prospective customers or goodwill certainly

1 supports a finding of the possibility of irreparable harm.”); *Markovits v. Venture Info Capital, Inc.*,  
 2 129 F.Supp.2d 647, 661 (S.D.N.Y. 2001) (“[The former employee’s] continued use of [the  
 3 company’s] confidential information, and [his] inevitable competition based thereon, will likely cause  
 4 serious damage to [the company’s] reputation and client base . . . . The measure of this damage is  
 5 simply unquantifiable.”).

6 **F. The Balance of Hardships Tips Decidedly in Favor of Granting TROs.**

7 The balance of hardships likewise compels issuance of HERC’s requested TROs. HERC has  
 8 a vital interest in protecting its trade secret and confidential information – especially customer and  
 9 pricing information – from its competitors. Neither Useda nor Kicenski has a right to use HERC’s  
 10 trade secret and confidential information for his own benefit or for Sunstate’s benefit, let alone to  
 11 HERC’s competitive detriment. As discussed above, HERC will be irreparably harmed if Useda or  
 12 Kicenski is permitted to disclose or continue using HERC’s trade secret and confidential customer,  
 13 pricing, and employee compensation information.

14 By contrast, the TROs sought by HERC would not prohibit Useda or Kicenski from doing  
 15 anything that they are legally entitled to do. For example, HERC does not seek to restrain either of  
 16 them from working for Sunstate, nor does HERC seek – at least at this time and upon the current  
 17 record – to restrain either of them from soliciting any particular customers. Rather, HERC simply  
 18 seeks to restrain Useda and Kicenski from further accessing, disclosing, or using its trade secret and  
 19 confidential information.

20 Numerous California federal courts have held that where “[t]he injunctive relief sought [] is  
 21 specific to the use of proprietary information” and “does not extend to [] business activities or to  
 22 relationships that are not predicated upon proprietary, confidential, or trade secret information  
 23 belonging to [the plaintiff],” then “the balance of hardships weighs in favor of” granting a TRO.  
 24 *TMX Funding, Inc. v. Impero Techs., Inc.*, 2010 U.S. Dist. LEXIS 37064, at \*25 (N.D. Cal. Mar. 17,  
 25 2010); *see also Wyndham Resort Dev. Corp. v. Bingham*, 2010 U.S. Dist. LEXIS 80608, at \*18-19  
 26 (E.D. Cal. July 8, 2010) (same); *Merrill Lynch, Pierce, Fenner & Smith Inc. v. Chung*, 2001 U.S.  
 27 Dist. LEXIS 3248, at \*15 (C.D. Cal. Feb. 2, 2001) (“[T]he balance of hardships tips heavily in favor  
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1 of granting injunctive relief because an injunction merely prohibits Defendants from  
 2 misappropriating the trade secrets of [the former employer] and requires them to comply with the  
 3 reasonable terms of their Agreements [with the former employer].”)

4 In light of this authority, the overwhelming evidence of Useda’s and Kicenski’s wrongdoing,  
 5 and the limited nature of the TROs sought, the balance of hardships tips decidedly in HERC’s favor.  
 6 Accordingly, the requested TROs should be granted.

7 **G. Granting the Requested TROs Would Advance the Public Interest.**

8 Granting temporary injunctive relief here will not adversely affect the public interest because  
 9 there is no public interest in allowing a former employee who steals a party’s trade secret and  
 10 confidential information to use it for personal competitive gain. Because protection of trade secrets is  
 11 “fundamental to the preservation of our free market economic system,” *Morlife, Inc.*, 56 Cal. App.  
 12 4th at 1520, courts have routinely held that injunctions barring their unauthorized disclosure or use  
 13 are consistent with the public interest. *See, e.g., Wyndham Resort Dev. Corp. v. Bingham*, 2010 U.S.  
 14 Dist. LEXIS 80608, 19-20 (E.D. Cal. July 8, 2010); *Gable-Leigh, Inc. v. North Am. Miss*, 2001 U.S.  
 15 Dist. LEXIS 25614, at \*69-70 (C.D. Cal. Apr. 9, 2001) (“[I]t is in the public interest that trade secret  
 16 customer lists be protected.”) (citing *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974)); *Merrill*  
 17 *Lynch, Pierce, Fenner & Smith Inc. v. Chung*, 2001 U.S. Dist. LEXIS 3248, at \*16 (C.D. Cal. Feb. 2,  
 18 2001).

19 **H. Limited Expedited Discovery Is Necessary to Determine the Full Scope of Useda’s and**  
 20 **Kicenski’s Misconduct and the Resulting Harm in Advance of the Preliminary**  
**Injunction Hearing.**

21 In advance of briefing and hearing on the Preliminary Injunction, Hertz requests that this  
 22 Court exercise its discretion and grant HERC the opportunity to conduct limited expedited discovery  
 23 necessary to establish the extent of Useda’s and Kicesnki’s theft and use of its trade secrets and  
 24 confidential information and the full scope of the resulting harm. Courts have authority to permit  
 25 expedited discovery, prior to a Rule 26(f) conference, upon a showing of good cause. *See Fed. R.*  
 26 *Civ. P. 26(d)(1); Semitool, Inc. v. Tokyo Electron Am.*, 208 F.R.D. 273, 276 (N.D. Cal. 2002). “Good  
 27 cause may be found where the need for expedited discovery, in consideration of the administration of  
 28

1 justice, outweighs the prejudice to the responding party.” *Semitool, Inc.*, 208 F.R.D. at 276.  
2 “[C]ourts have recognized that good cause is frequently found in cases involving claims of  
3 infringement and unfair competition.” *Id.*

4 Here, HERC proposes to serve on Useda and Kicenski targeted sets of interrogatories and  
5 document production that are narrowly tailored to the matters raised by HERC’s complaint and to  
6 protecting against further disclosure or use of HERC’s trade secrets and confidential information.  
7 HERC also proposes to take two depositions: those of Useda and Kicenski. HERC requests that the  
8 Court order Useda and Kicenski to respond to the seven (7) proposed interrogatories and eight (8)  
9 proposed document requests propounded to them respectively within five (5) business days, *i.e.*, by  
10 November 9, 2010. HERC further requests that the two requested depositions go forward on two  
11 separate dates agreeable to the parties, deponents, and their respective counsel, but no later than  
12 November 12, 2010. HERC also proposes to serve a narrowly tailored document subpoena to Yahoo!  
13 propounding three (3) document requests for file information concerning Useda’s emails account, and  
14 a narrow document subpoena to Sunstate propounding ten (10) document requests. The discovery  
15 sought is not extensive and the proposed schedule is reasonable. Copies of the proposed discovery  
16 are attached as Exhibits A through H to the accompanying Declaration of Matthew J. Frankel  
17 (“Frankel Decl.”).

18 The circumstances of this application underscore the need for this limited expedited  
19 discovery. Although HERC is aware of the confidential information that Useda emailed to his  
20 personal account and that it believes Kicenski took with him upon departure, it has no way of  
21 determining, absent expedited discovery, whether either individual absconded with additional hard  
22 copy documents or transferred other electronic files by means not already discovered. Nor, absent  
23 expedited discovery, can HERC determine whether there are others to whom Useda or Kicenski has  
24 disclosed HERC’s confidential information or the circumstances of any such disclosure. Without this  
25 information, HERC will be unable to protect its trade secrets and confidential information from  
26 further misappropriation and exploitation, and precluded from identifying other parties who might  
27 properly be joined as defendants. Further, in light of Useda’s and Kicenski’s surreptitious and  
28

1 unlawful conduct to date, there is a strong possibility that they (or others acting in concert with them)  
 2 will dispose of key evidence before normal discovery can commence. Finally, absent expedited  
 3 discovery, HERC will not be able to establish the full measure of its harm from Useda's, Kicenski's,  
 4 and potentially others' wrongful conduct, thus prejudicing HERC's ability to carry its burden at the  
 5 Preliminary Injunction hearing.

6 These reasons are precisely why courts consistently grant requests for expedited discovery in  
 7 advance of Preliminary Injunction hearings on "infringement and unfair competition" claims,  
 8 especially those involving trade secrets. *See, e.g., KLA-Tencor Corp. v. Murphy*, 2010 U.S. Dist.  
 9 LEXIS 45932, at \*3 (N.D. Cal. May 11, 2010) (noting that "the court granted plaintiff leave to take  
 10 expedited discovery, including oral depositions of the individual defendants" after issuing TRO  
 11 prohibiting use or disclosure of trade secrets and prior to preliminary injunction hearing on same);  
 12 *Grooms v. Legge*, 2009 U.S. Dist. LEXIS 21456, at \*32-33 (S.D. Cal. Mar. 17, 2009) (granting  
 13 "expedited [] discovery in the form of Form Interrogatories; Requests for Identification and  
 14 Production of Documents; and up to three depositions prior to the preliminary injunction hearing" on  
 15 trade secret claims where "plaintiffs expressed concern that . . . customer lists [would be] lost without  
 16 discovery"); *Wachovia Sec., L.L.C. v. Stanton*, 571 F. Supp. 2d 1014, 1051 (N.D. Iowa 2008)  
 17 (denying TRO in trade secret misappropriation action but finding "it appropriate to grant [plaintiff's]  
 18 request for expedited discovery to help the parties prepare for a preliminary injunction hearing");  
 19 *Physicians Interactive v. Lathian Sys.*, 2003 U.S. Dist. LEXIS 22868, at \*29-30 (E.D. Va. Dec. 5,  
 20 2003) (granting expedited discovery in connection with issuance of TRO and preliminary injunction  
 21 in trade secret misappropriation case involving, *inter alia*, customer lists); *MAI Sys. Corp. v. Peak*  
 22 *Computer*, 1992 U.S. Dist. LEXIS 21829, at \*18 (C.D. Cal. Apr. 15, 1992) (noting that plaintiff  
 23 "sought, and th[e] Court granted, expedited discovery against [defendant] in the form of depositions  
 24 and document production" prior to preliminary injunction hearing on, *inter alia*, misappropriation of  
 25 trade secrets), *rev'd in part on other grounds*, 991 F.2d 511 (9th Cir. 1993).

26 Any potential prejudice to Useda and Kicenski is minimal, not least because the "requested  
 27 information is relevant and will be produced in the normal course of discovery." *Semitool, Inc.*, 208  
 28

1 F.R.D. at 276. No prejudice to Useda or Kicenski would result by requiring them to produce relevant  
 2 documents and answer relevant questions sooner rather than later. Moreover, the fact that HERC  
 3 possesses hard-and-fast evidence of misappropriation by Useda and Kicenski cuts against any claim  
 4 that HERC's expedited discovery requests are speculative or present an undue burden. To the  
 5 contrary, the "narrow" discovery requested by HERC is "not otherwise accessible [and] will  
 6 substantially contribute to moving this case forward." *Id.* at 277. Accordingly, HERC's request for  
 7 expedited discovery should be granted.

8 In addition to granting expedited discovery, HERC also respectfully requests that the Court  
 9 protect HERC's trade secrets and confidential information that may be disclosed as a result of such  
 10 discovery by entering the [Proposed] Protective Order, attached as Exhibit I to the Frankel  
 11 Declaration. This [Proposed] Protective Order is based on the two-tiered "Stipulated Protective  
 12 Order" available on the Court's website, with only a few changes to adapt to the current  
 13 circumstances,<sup>2</sup> and will facilitate the disclosure of information in this litigation and protect the  
 14 legitimate confidentiality interests of all parties and non-parties.

15 **I. The Court Should Include Document Preservation Orders in the Proposed TROs.**

16 "[A] litigant . . . is under a duty to preserve what it knows, or reasonably should know, is  
 17 relevant in the action, is reasonably calculated to lead to the discovery of admissible evidence,  
 18 [and/or] is reasonably likely to be requested during discovery." *Wm. T. Thompson Co. v. General*  
 19 *Nutrition Corp.*, 593 F. Supp. 1443, 1455 (C.D. Cal. 1984). However, "[a] sanction for failure to  
 20 preserve evidence is appropriate only when a party has consciously disregarded its obligation to do  
 21 so." *Shepherd v. ABC*, 62 F.3d 1469, 1481 (D.C. Cir. 1995). Accordingly, HERC respectfully  
 22 requests that the Court put Useda and Kicenski on express notice of their obligations under the law  
 23 through issuance of a document preservation order.

24 Courts routinely issue such orders in connection with granting temporary injunctive relief on  
 25 trade secret claims. *See, e.g., KLA-Tencor Corp. v. Murphy*, 2010 U.S. Dist. LEXIS 45932, at \*3

26 <sup>2</sup> HERC has adjusted the form on the Court's website to reflect that it is not being entered upon stipulation and to  
 27 streamline several provisions, including the provision for challenging confidentiality designations. These changes are  
 28 reflected in the "red-line" attached as Exhibit J to the Frankel Declaration.



(N.D. Cal. May 11, 2010) (noting that previously-issued TRO “prohibit[ed] defendants from using [] trade secrets or destroying evidence and require[ed] defendants to preserve electronic evidence”); *Hypro, LLC v. Reser*, 2004 U.S. Dist. LEXIS 25191, at \*22 (D. Minn. 2004) (issuing TRO ordering parties to “preserve during the pendency of this litigation all evidence, including electronic documents and electronic mail on their business or personal computers, containing any reference to the Plaintiff or Defendants' activities regarding matters identified or referred to in the Complaint,” and not to “erase, alter, modify, or destroy such evidence”; *see also ABT, Inc. v. Juszczak*, 2010 U.S. Dist. LEXIS 91613, 33-34 (D.N.C. 2010) (granting preliminary injunction on, *inter alia*, trade secret claims with language requiring defendants to “preserve all data currently stored on computers over which they have possession, custody or control, and personal digital assistant or mobile telephone, including any information stored on backup media, and produce to an independent computer forensic expert the computer hard drives or other hardware from any and all computers which currently stores or has stored [plaintiff’s] confidential information and trade secrets”).

Such an order is necessary and appropriate to ensure that Useda and Kicenski preserve all relevant evidence and are aware of the possibility of sanctions should they fail to do so. It is also necessary and appropriate given that there are limits to what HERC can ascertain through its own investigation, and a thorough review of all information bearing on Useda’s and Kicenski’s misconduct is necessary in advance of the Preliminary Injunction hearing. In light of their surreptitious and unlawful conduct to date, HERC reasonably fears that Useda and Kicenski will dispose of critical evidence absent timely and clear direction otherwise from the Court. Further, considering that Useda and Kicenski are “under a duty to preserve” relevant documents, *Wm. T. Thompson Co.*, 593 F. Supp. at 1455, issuance of such an order would not result in any prejudice to them. Accordingly, HERC respectfully requests that the Court issue a document preservation order to ensure the integrity of this litigation.

**J. A Bond Is Not Required.**

The Ninth Circuit has “recognized that Rule 65(c) invests the district court with discretion as to the amount of security required, if any.” *Jorgensen v. Cassidy*, 320 F.3d 906, 919 (9th Cir. 2003)

(internal quotes omitted) (quoting *Barahona-Gomez v. Reno*, 167 F.3d 1228, 1237 (9th Cir. 1999)).  
 “The district court may dispense with the filing of a bond when it concludes there is no realistic  
 likelihood of harm to the defendant from enjoining his or her conduct.” *Id.*

This Court may also dispense with a bond when there is no evidentiary basis for the proper  
 amount of the bond. “Absent any measure of the amount [the party seeking the injunction] should  
 provide in a bond, it might well be an abuse of [the Court’s] discretion . . . to arbitrarily set some  
 figure.” *Bass v. Richardson*, 338 F. Supp. 478, 491 (S.D.N.Y. 1971); *see also Taylor v. Chiang*,  
 2007 U.S. Dist. LEXIS 43711, at \*14 n.4 (E.D. Cal. June 1, 2007). It is not the court’s “function to  
 establish sums which are wholly speculative.” *Bass*, 338 F. Supp. at 491. Critically, “[a]ttorneys’  
 fees and legal expenses spent by the injured party in resisting or appealing the injunction are not . . .  
 items to be included in the determination of the amount of the bond.” *Powelton Civic Home Owners*  
*Ass’n. v. Department of Housing & Urban Dev.*, 284 F. Supp. 809, 840 (E.D. Pa. 1968); *see also*  
*Matek v. Murat*, 862 F.2d 720, 734 (9th Cir. 1988) (“Attorney’s fees are not recoverable as damages  
 in an action on an injunction bond.”).

Because HERC’s proposed TROs seek only that Useda and Kicenski cease and desist from  
 engaging in unlawful activities – *i.e.*, the unauthorized use of HERC’s trade secrets and confidential  
 information – they cannot argue that they will suffer any damage as a result of a TRO. In similar  
 circumstances, other courts have dispensed with the bond entirely, or required a nominal amount.  
*See, e.g., Interbake Foods, L.L.C. v. Tomasiello*, 461 F. Supp. 2d 943, 980 (N.D. Iowa 2006)  
 (enjoining disclosure of trade secrets by defendant and misappropriation of those secrets by  
 defendant’s new employer, but refusing to enjoin defendant’s continued employment with new  
 employer; required nominal bond of \$1); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1464 (M.D.N.C.  
 1996) (requiring posting of \$5,000 bond where preliminary injunction prohibited plaintiff’s former  
 employee from discussing certain trade secret information with former employee’s new employer).  
 Here, because no damages could possibly result from the injunctive relief sought by HERC, no bond  
 is necessary under Rule 65(c). *See Jorgensen*, 320 F.3d at 919.

1 DATED: November 2, 2010

Respectfully submitted,

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3  
4 By:



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